

**GRANT TOWNSHIP, MICHIGAN**  
*(Keweenaw)*  
**FINANCIAL REPORT**

Year ended March 31, 2004

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

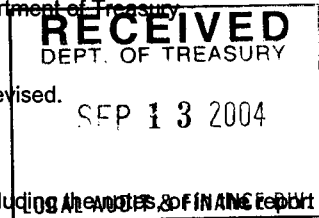
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Grant Township</b>	County <b>Keweenaw</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>7/29/04</b>	Date Accountant Report Submitted to State: <b>9/3/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes and financial report of comments and recommendations



You must check the applicable box for each item below.

- ☒ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>John I. Jukuri, CPA</b>			
Street Address <b>56730 Calumet Avenue, Suite J</b>	City <b>Calumet</b>	State <b>MI</b>	ZIP <b>49913</b>
Accountant Signature <i>John I. Jukuri CPA</i>		Date <b>7/29/04</b>	

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**JOHN I. JUKURI**  
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**INDEPENDENT AUDITOR'S REPORT**

Board Members  
Grant Township, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grant Township, Michigan as of and for the year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1(C), the basic financial statements of the Township's governmental activities were prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements referred to above do not include the Volunteer Firemen's Fund which should be included in order to conform with accounting principles generally accepted in the United States of America. The amounts that should be recorded are not known.

As discussed in Note 1(D) to the basic financial statements, management has not recorded certain capital assets in its governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In my opinion, because of the effects of the matter discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of Grant Township, Michigan as of March 31, 2004, and the changes in financial position thereof for the year then ended.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the Township's assets, liabilities, net assets, revenues and expenditures arising from modified cash basis transactions of its governmental activities, the aggregate discretely presented component units, each major governmental fund and the aggregate remaining fund information of Grant Township, Michigan as of and for the year ended March 31, 2004, on the modified cash basis of accounting described in Note 1(C), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

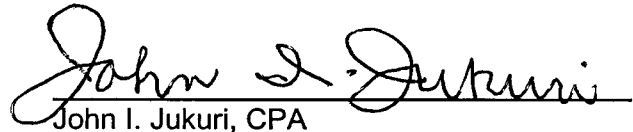
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major enterprise fund of Grant Township, Michigan as of March 31, 2004, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of March 31, 2004.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 29, 2004 on my consideration of the Township's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 9 and 31 through 32 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grant Township, Michigan's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
John I. Jukuri, CPA

Calumet, Michigan  
July 29, 2004

## GRANT TOWNSHIP, MICHIGAN

P.O. Box 76

Copper Harbor, MI 49918

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Grant Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2004. Please read it in conjunction with the Township's financial statements that follow.

### USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB Statement No. 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the Township's annual report. While Grant Township was not required to implement the provisions of GASB Statement 34 until the year ending March 31, 2005, Township management has elected to early implement the new model financial statement format and content.

#### Report Components

This annual report consists of five parts as follows:

**Government-wide Financial Statements:** The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township government-wide (or "as a whole") and present a longer-term view of the Township's finances.

**Fund Financial Statements:** Fund financial statements focus on the individual parts of the Township government. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary activities*, these statements offer short-term and long-term financial information about the activities the Township operates like businesses, such as the sewer service. For *fiduciary activities* these statements account for assets held by the Township as an agent or trustee for others and includes the current and delinquent tax accounts.

**Notes to Financial Statements:** The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Required Supplementary Information:** This Management Discussion and Analysis and the General and Fire Millage Fund Budgetary Comparison Schedules represent financial information required to be presented by the GASB. Such information provides users of

this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

**Other Supplementary Information:** This part of the annual report includes optional financial information such as combining statements for non-major funds, which are added together and shown in the fund financial statements in a single column and a federal program section. This other supplemental financial information is provided to address certain specific needs of various users of the Township's annual report.

### *The Township as a Whole*

#### ***The Township's Reporting Entity Presentation***

This annual report includes all activities for which the Township is fiscally responsible. These activities, defined as the Township's reporting entity, are operated within separate legal entities that make up the primary government and another separate legal entity that is included as a component unit.

The primary government includes the following legal entity:

- Grant Township, Michigan

The component unit presentation includes the following legal entity:

- The Grant Township, Michigan Downtown Development Authority

#### ***Government Wide Financial Information***

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities. These statements include all of the Township's assets and liabilities resulting from the use of the accrual basis of accounting.

In the Statement of Net Assets and the Statement of Activities, we divide the Township into three kinds of activities:

*Governmental activities* - Most of the Township's basic services are reported here, including the general administration, public safety, public works and recreation. Property taxes, state statutory aid and state and federal grants finance most of these activities.

*Business-type activities* - The Township charges a fee to its water and sewer customers to help it cover all or most of the cost of the services it provides.

*Component unit activities* - Although the Downtown Development Authority is a separate legal entity, the Township includes its activities since the Township is financially accountable for the Authority.

Since this is the first year that financial information has been reported under the new financial model, comparative information is not available.

In a condensed format, the table below provides a summary of the township's net assets (in thousands of dollars) as of March 31, 2004.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets	\$ 501.9	\$ 218.5	\$ 720.4
Noncurrent assets	<u>          </u>	<u>2,737.5</u>	<u>2,737.5</u>
Total Assets	<u>501.9</u>	<u>2,956.0</u>	<u>3,457.9</u>
Current liabilities	43.6	13.3	56.9
Other liabilities	<u>267.1</u>	<u>117.0</u>	<u>384.1</u>
Total Liabilities	<u>310.7</u>	<u>130.3</u>	<u>441.0</u>
Net Assets			
Invested in capital assets—net of debt		2,593.5	2,593.5
Restricted for debt service		20.9	20.9
Restricted for other purposes	113.8		113.8
Unrestricted	<u>77.4</u>	<u>211.3</u>	<u>288.7</u>
Total Net Assets	<u>\$ 191.2</u> =====	<u>\$ 2,825.7</u> =====	<u>\$ 3,016.9</u> =====

The current level of unrestricted net assets (the part of net assets that can be used to finance day to day operations) for our governmental activities stands at \$77,446.

The results of this year's operations for the Township as a whole are reported in the statement of activities, which shows the change in the net assets ( in thousands of dollars) for the year ended March 31, 2004 and are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Program Revenues			
Charges for services	\$ 20.9	\$ 121.7	\$ 142.6
Operating grants and contributions	.8		.8
Capital grants and contributions	139.0		139.0
General Revenues			
Property taxes	235.8		235.8
State-shared revenues	14.5		14.5
Unrestricted investment earnings	2.0	2.6	4.6
Miscellaneous	13.7		13.7
Licenses & franchise fees	.6		.6
Transfers with component unit	<u>10.0</u>	<u>          </u>	<u>10.0</u>
Total Revenues	<u>437.3</u>	<u>124.3</u>	<u>561.6</u>



Program Expenses			
Legislative	21.1		21.1
General Government	53.3		53.3
Public Safety	267.6		267.6
Public Works	51.6		51.6
Recreation	4.1		4.1
Other	15.2		15.2
Interest on long-term debt	13.6		13.6
Water		58.8	58.8
Sewer		141.1	141.1
	<u>426.5</u>	<u>199.9</u>	<u>626.4</u>
Total Expenses			
Changes in Net Assets	\$ 10.8	\$ (75.6)	\$ (64.8)
	=====	=====	=====

### Governmental Activities

The Township's total governmental revenues exceeded expenditures by \$10,763.

During the year, the Township received \$113,787 in restricted contributions. The contributions are to be used to purchase 9.4 acres of land at Hunters Point. The total purchase price of the land is approximately \$880,000. The Township's cost will be approximately \$195,000 with the balance of the purchase price being funded with a grant and land donation from an individual.

### Business-Type Activities

The Township's business-type activities consist of the Water and Sewer Funds. We provide water services to approximately 92 residents and sewer services to approximately 213 residents living in the Copper Harbor area. The water revenues exceeded its expenses by \$10,209, excluding \$20,274 of depreciation expense and \$6,183 of interest expense. The sewer expenses exceeded its revenues by \$6,286, excluding depreciation expense of \$53,133.

### The Township's Funds

Our analysis of the Township's major funds follows the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Township's major funds for March 31, 2004 include the General, Fire Millage, Grant, Water, and Sewer Funds.

The General Fund pays for most of the Township's governmental services. The most significant are for general government and public safety which incurred expenses of \$53,323 and \$267,597, respectively during the year.

### General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. The most significant changes were to increase general govern-

ment expenditures by \$7,750 and increase debt service by \$6,600 for payments on the new fire truck. These reductions resulted mostly in the reduction to capital asset acquisitions. Township departments overall stayed below budget with the exception of legislative and debt service which were \$4,031 and \$1,823 over budget, respectively.

#### Debt Administration

At year end, the Township had \$431,077 in long-term debt outstanding and is listed as follows:

	Primary Government		
	Governmental Activities	Business-type Activity	Total
Notes/loans payable	\$ 310,077	\$	\$ 310,077
Bonds payable		121,000	121,000
	\$ 310,077	\$ 121,000	\$ 431,077
	=====	=====	=====

#### Contacting the Township's Management

This financial report is intended to provide a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

# GRANT TOWNSHIP, MICHIGAN

## Government Wide Statement of Net Assets - Modified Cash Basis March 31, 2004

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash	\$ 299,512	\$ 186,701	\$ 486,213	\$ 303,635
Investments	60,883	7,123	68,006	
Receivables, net		13,854	13,854	3,000
Due from other governments	27,737		27,737	
Prepaid expense		10,745	10,745	
Interest receivable		93	93	
Restricted assets	113,787	22,957	136,744	
Capital assets, net		2,714,535	2,714,535	
<b>Total Assets</b>	<u>501,919</u>	<u>2,956,008</u>	<u>3,457,927</u>	<u>306,635</u>
<b>LIABILITIES</b>				
Accounts payable		4,725	4,725	
Accrued liabilities		2,554	2,554	
Due to other governments	609		609	
Accrued interest		2,017	2,017	
Noncurrent liabilities				
Due within one year	43,011	4,000	47,011	5,000
Due in more than one year	267,066	117,000	384,066	245,000
<b>Total Liabilities</b>	<u>310,686</u>	<u>130,296</u>	<u>440,982</u>	<u>250,000</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt		2,593,535	2,593,535	
Restricted for debt service		20,940	20,940	
Restricted for other purposes	113,787		113,787	
Unrestricted	77,446	211,237	288,683	56,635
<b>Total Net Assets</b>	<u>\$ 191,233</u> =====	<u>\$ 2,825,712</u> =====	<u>\$ 3,016,945</u> =====	<u>\$ 56,635</u> =====

The accompanying notes are an integral part of the financial statements.

# GRANT TOWNSHIP, MICHIGAN

## Government Wide Statement of Activities - Modified Cash Basis Year Ended March 31, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Component Unit
					Governmental Activities	Business-Type Activities		
<b>Primary Government</b>								
Legislative	\$ 21,131	\$	\$	\$	\$ (21,131)	\$	\$ (21,131)	\$
General Government	53,323				(53,323)		(53,323)	
Public Safety	267,597		527	25,000	(242,070)		(242,070)	
Public Works	51,589	20,865	306		(30,418)		(30,418)	
Parks & Recreation	4,092			113,981	109,889		109,889	
Other	15,192				(15,192)		(15,192)	
Interest on Long-Term Debt	13,559				(13,559)		(13,559)	
<b>Total Governmental Activities</b>	<b>426,483</b>	<b>20,865</b>	<b>833</b>	<b>138,981</b>	<b>(265,804)</b>		<b>(265,804)</b>	
<b>Business-Type Activities</b>								
Water	58,776	40,555				(18,221)	(18,221)	
Sewage	141,145	81,117				(60,028)	(60,028)	
<b>Total Business-Type Activities</b>	<b>199,921</b>	<b>121,672</b>				<b>(78,249)</b>	<b>(78,249)</b>	
<b>Total Primary Government</b>	<b>\$ 626,404</b>	<b>\$142,537</b>	<b>\$ 833</b>	<b>\$ 138,981</b>	<b>(265,804)</b>	<b>(78,249)</b>	<b>(344,053)</b>	
<b>Component Unit</b>								
Downtown Development Authority	\$ 20,600	\$	\$	\$				(20,600)
<b>General Revenues</b>								
Property taxes					235,796		235,796	47,787
State-shared revenues					14,497		14,497	
Unrestricted investment earnings					2,002	2,582	4,584	1,278
Miscellaneous					13,722		13,722	
Licenses & franchise fees					550		550	706
Transfers with component unit					10,000		10,000	(10,000)
<b>Total General Revenues</b>					<b>276,567</b>	<b>2,582</b>	<b>279,149</b>	<b>39,771</b>
<b>Changes in Net Assets</b>					<b>10,763</b>	<b>(75,667)</b>	<b>(64,904)</b>	<b>19,171</b>
<b>Net Assets - Beginning</b>					<b>180,470</b>	<b>2,901,379</b>	<b>3,081,849</b>	<b>37,464</b>
<b>Net Assets - Ending</b>					<b>\$ 191,233</b>	<b>\$2,825,712</b>	<b>\$ 3,016,945</b>	<b>\$ 56,635</b>

The accompanying notes are an integral part of the financial statements.

# GRANT TOWNSHIP, MICHIGAN

## Governmental Funds Balance Sheet - Modified Cash Basis March 31, 2004

	General Fund	Fire Millage Fund	Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 229,207	\$ 68,959	\$ 105	\$ 1,241	\$ 299,512
Investments	58,545			2,338	60,883
Due from other governments	21,123	6,614			27,737
Restricted assets - cash	<u>113,787</u>				<u>113,787</u>
<b>TOTAL ASSETS</b>	<u>\$ 422,662</u> =====	<u>\$ 75,573</u> =====	<u>\$ 105</u> =====	<u>\$ 3,579</u> =====	<u>\$ 501,919</u> =====
<b>LIABILITIES</b>					
Due to other governments	<u>\$ 609</u>				<u>\$ 609</u>
<b>FUND BALANCES</b>					
Reserved for perpetual care				2,338	2,338
Reserved for land acquisition	113,787				113,787
Reserved for hall improvements	7,811				7,811
Unreserved	<u>300,455</u>	<u>75,573</u>	<u>105</u>	<u>1,241</u>	<u>377,374</u>
<b>TOTAL FUND BALANCES</b>	<u>422,053</u>	<u>75,573</u>	<u>105</u>	<u>3,579</u>	501,310
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<u>\$ 422,662</u> =====	<u>\$ 75,573</u> =====	<u>\$ 105</u> =====	<u>\$ 3,579</u> =====	

### Reconciliation to Statement of Net Assets:

Amounts reported for governmental activities in the statement of net assets are different because:

Long-term liabilities are not due and payable in the current period and are not reported in the funds

(310,077)

Net Assets of Governmental Activities

\$ 191,233  
=====

The accompanying notes are an integral part of the financial statements.

# GRANT TOWNSHIP, MICHIGAN

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balance - Modified Cash Basis Year Ended March 31, 2004

	General Fund	Fire Millage Fund	Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 183,508	\$ 52,288	\$	\$	\$ 235,796
Licenses and permits	550				550
Federal aid			25,000		25,000
State aid	13,267			2,063	15,330
Charges for services	20,865				20,865
Interest	1,744	210		48	2,002
Other	<u>123,068</u>	<u>4,635</u>			<u>127,703</u>
Total Revenues	<u>343,002</u>	<u>57,133</u>	<u>25,000</u>	<u>2,111</u>	<u>427,246</u>
<b>Expenditures</b>					
Legislative	21,131				21,131
General government	51,151				51,151
Public safety	2,192	35,159	1,595	3,671	42,617
Public works	51,589				51,589
Parks & Recreation	4,092				4,092
Other	11,692				11,692
Capital outlay	2,172	1,793	223,187		227,152
Debt service	<u>57,923</u>		<u>3,500</u>		<u>61,423</u>
Total Expenditures	<u>201,942</u>	<u>36,952</u>	<u>228,282</u>	<u>3,671</u>	<u>470,847</u>
Excess of Revenues over (under) Expenditures	<u>141,060</u>	<u>20,181</u>	<u>(203,282)</u>	<u>(1,560)</u>	<u>(43,601)</u>
<b>Other Financing Sources (Uses):</b>					
Note proceeds			185,000		185,000
Operating transfers in	15,000		18,187		33,187
Operating transfers out		<u>(23,187)</u>			<u>(23,187)</u>
Total Other Financing Sources (Uses)	<u>15,000</u>	<u>(23,187)</u>	<u>203,187</u>		<u>195,000</u>
<b>Net Change in Fund Balances</b>	156,060	(3,006)	(95)	(1,560)	151,399
<b>Fund Balance - Beginning of Year</b>	<u>265,993</u>	<u>78,579</u>	<u>200</u>	<u>5,139</u>	
<b>FUND BALANCE - Ending of Year</b>	<u>\$ 422,053</u> =====	<u>\$ 75,573</u> =====	<u>\$ 105</u> =====	<u>\$ 3,579</u> =====	

Reconciliation to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities are different because:

**GRANT TOWNSHIP, MICHIGAN**

**Governmental Funds Statement of Revenue, Expenditures, and  
Changes in Fund Balance - Modified Cash Basis  
Year Ended March 31, 2004**

	<u>General Fund</u>	<u>Fire Millage Fund</u>	<u>Grant Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets					(185,000)
Repayment of principal debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)					<u>44,364</u>
<b>Changes in Net Assets of Governmental Activities</b>					<b>\$ 10,763</b> =====

The accompanying notes are an integral part of the financial statements.

# GRANT TOWNSHIP, MICHIGAN

## Proprietary Funds Statement of Net Assets March 31, 2004

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
<b>ASSETS</b>			
Current Assets			
Cash	\$ 84,258	\$ 102,443	\$ 186,701
Investments	3,053	4,070	7,123
Accounts receivables, net	5,188	8,666	13,854
Interest receivable	93		93
Prepaid expense	<u>4,510</u>	<u>6,235</u>	<u>10,745</u>
Total Current Assets	<u>97,102</u>	<u>121,414</u>	<u>218,516</u>
Noncurrent Assets			
Restricted investments	22,957		22,957
Capital assets, net of accumulated depreciation	<u>645,449</u>	<u>2,069,086</u>	<u>2,714,535</u>
Total Noncurrent Assets	<u>668,406</u>	<u>2,069,086</u>	<u>2,737,492</u>
Total Assets	<u>765,508</u>	<u>2,190,500</u>	<u>2,956,008</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	385	4,340	4,725
Accrued liabilities	785	1,769	2,554
Accrued interest	2,017		2,017
Current portion of noncurrent liabilities	<u>4,000</u>		<u>4,000</u>
Total Current Liabilities	<u>7,187</u>	<u>6,109</u>	<u>13,296</u>
Noncurrent Liabilities			
Bonds payable	<u>117,000</u>		<u>117,000</u>
Total Liabilities	<u>124,187</u>	<u>6,109</u>	<u>130,296</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	524,449	2,069,086	2,593,535
Restricted for debt service	20,940		20,940
Unrestricted	<u>95,932</u>	<u>115,305</u>	<u>211,237</u>
Total Net Assets	<u>\$ 641,321</u> =====	<u>\$ 2,184,391</u> =====	<u>\$ 2,825,712</u> =====

The accompanying notes are an integral part of the financial statements.



# GRANT TOWNSHIP, MICHIGAN

## Proprietary Funds Statement of Revenue, Expenses and Changes in Net Assets Year Ended March 31, 2004

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Operating Revenues			
Water fees	\$ 40,555	\$	\$ 40,555
Sewage fees	<u>                    </u>	<u>81,117</u>	<u>81,117</u>
Total Operating Revenues	<u>40,555</u>	<u>81,117</u>	<u>121,672</u>
Operating Expenses			
Administration	5,099	5,804	10,903
Personal services	9,131	20,939	30,070
Utilities	2,504	12,049	14,553
Repairs and maintenance	15,585	49,220	64,805
Depreciation	<u>20,274</u>	<u>53,133</u>	<u>73,407</u>
Total Operating Expenses	<u>52,593</u>	<u>141,145</u>	<u>193,738</u>
Operating Income (Loss)	<u>(12,038)</u>	<u>(60,028)</u>	<u>(72,066)</u>
Nonoperating Revenues (Expenses)			
Interest revenue	1,973	609	2,582
Interest expense	<u>(6,183)</u>	<u>                    </u>	<u>(6,183)</u>
Total Nonoperating Revenue (Expense)	<u>(4,210)</u>	<u>609</u>	<u>(3,601)</u>
Changes in Net Assets	(16,248)	(59,419)	(75,667)
Net Assets, Beginning	<u>657,569</u>	<u>2,243,810</u>	<u>2,901,379</u>
Net Assets, Ending	<u>\$ 641,321</u> =====	<u>\$ 2,184,391</u> =====	<u>\$ 2,825,712</u> =====

The accompanying notes are an integral part of the financial statements.

# GRANT TOWNSHIP, MICHIGAN

## Proprietary Funds Statement of Cash Flows Year Ended March 31, 2004

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 40,959	\$ 80,319	\$ 121,278
Payments to suppliers	(27,738)	(70,636)	(98,374)
Payments to employees	(9,317)	(19,295)	(28,612)
Net Cash Provided by Operating Activities	<u>3,904</u>	<u>(9,612)</u>	<u>(5,708)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal and interest paid on capital debt	<u>(10,249)</u>	<u>          </u>	<u>(10,249)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest	1,880	1,405	3,285
Certificate of deposit matured	<u>79,532</u>	<u>97,931</u>	<u>177,463</u>
Net Cash Provided by Investing Activities	<u>81,412</u>	<u>99,336</u>	<u>180,748</u>
Net Increase (Decrease) in Cash	75,067	89,724	164,791
Balances - Beginning of the Year	<u>9,191</u>	<u>12,719</u>	<u>21,910</u>
Balances - End of the Year	\$ 84,258 =====	\$ 102,443 =====	\$ 186,701 =====
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating Income (Loss)	\$ (12,038)	\$ (60,028)	\$ (72,066)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	20,274	53,133	73,407
Change in Assets and Liabilities			
Receivables, net	404	(799)	(395)
Prepaid expense	(1,013)	(1,415)	(2,428)
Accounts payable	(3,522)	215	(3,307)
Accrued expenses	<u>(201)</u>	<u>(718)</u>	<u>(919)</u>
Net Cash Provided by Operating Activities	\$ 3,904 =====	\$ (9,612) =====	\$ (5,708) =====

The accompanying notes are an integral part of the financial statements.

**GRANT TOWNSHIP, MICHIGAN**

**Fiduciary Fund Statement of Net Assets - Modified Cash Basis  
March 31, 2004**

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Agency Fund Type  
(Property Tax  
Collection Fund)

**ASSETS**

Cash

\$ 84,331

=====

**LIABILITIES**

Due to other governmental units

\$ 84,331

=====

The accompanying notes are an integral part of the financial statements.

# GRANT TOWNSHIP, MICHIGAN

## Notes to Financial Statements

March 31, 2004

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the use of a modified cash basis of accounting used for the Township's governmental activities as discussed in Note 1(C), the Township complies with accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. For business-type activities and enterprise funds, the Township has elected to apply FASB pronouncements issued after November 30, 1989. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For fiscal year ended March 31, 2004, the Township early implemented the new financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*.

#### Implementation of GASB Statement 34

Although the Township presents its annual nonproprietary type financial statements on a comprehensive basis of accounting other than GAAP, the aspects of financial statement content and format, as prescribed by GASB Statement 34, have been implemented in the financial statements, effective for the year ended March 31, 2004. The Township was not required to, but elected to, early implement this new pronouncement.

The primary changes from the prior years' financial presentations include:

- The addition of a Management Discussion and Analysis as required supplementary information.
- A new format for the Township's basic financial statements including a government-wide Statement of Net Assets and Statement of Activities, in addition to fund financial statements, with emphasis on major funds, for governmental and proprietary activities.
- The reporting of budget and actual information for the General Fund and other major funds in a new format as required supplementary information.
- Beginning net assets reported in government-wide financial statements will differ from the amounts reported as ending fund equity in the prior year financial statements due to this implementation.
- The change to the direct method of reporting cash flows from operations in the proprietary fund financial statements.

## A. FINANCIAL REPORTING ENTITY

Grant Township was organized on August 1, 1861 and covers an area of approximately 119 square miles. The Township operates under an elected board of trustees consisting of five members including a supervisor, clerk, treasurer, and two trustees. The Township also has one constable. Many of the Township's residents reside in the communities of Copper Harbor and Lac LaBelle. Services provided to the residents of Grant Township include law enforcement, fire protection, water supply and sewage systems, recreation and community enrichment.

The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see the discussion below for a description).

### Discretely Presented Component Unit

In accordance with generally accepted accounting principles and GASB Statement No. 14 "The Financial Reporting Entity", these financial statements present the Township (primary government) and its component unit. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The discretely presented component unit is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the primary government.

The component unit column in the government-wide financial statements includes the financial data of the Downtown Development Authority (DDA) established by the Township under provisions of Act 197, P.A. of 1975 as amended (MCL 125.1651). It is governed by a nine member board appointed by the Township's governing board. The DDA adopted a development and tax increment financing plan to provide tax increment revenues to pay the principal and interest on Bonds issued by the Township for improvements within the DDA District. Additional financial details of the component unit can be obtained from the Township office.

## B. BASIS OF PRESENTATION

### Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

## **Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

### **Governmental Funds**

#### **General Fund**

The General Fund is the primary operating fund of the Township and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

#### **Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Township. The reporting entity includes the following special revenue funds: Fire Millage, Grant and Liquor Funds.

#### **Permanent Fund**

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs. The reporting entity includes the following permanent fund: Cemetery Perpetual Care Trust Fund.

### **Proprietary Funds**

#### **Enterprise Fund**

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise funds: Water and Sewer Funds.

## **Fiduciary Funds**

### **Agency Funds**

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The reporting entity includes the following agency funds: Current and Delinquent Tax Accounts.

### **Major and Nonmajor Funds**

The funds are classified as major or nonmajor as follows:

<b><u>Major Funds</u></b>	<b><u>Nonmajor Funds</u></b>
General Fund	Special Revenue Funds: Liquor Fund
Special Revenue Funds: Fire Millage Fund Grant Fund	Permanent Fund: Cemetery Perpetual Care Trust Fund
Proprietary Fund: Water Fund Sewer Fund	

## **C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

### **Measurement Focus**

In the government-wide Statement of Net Assets and the Statement of Activities governmental activities are presented using the economic resources measurement focus as defined in item a. below, while the business-like activities are presented as defined in item b.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

## Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. In accordance with generally accepted accounting principles the business-like activities are presented using the accrual basis of accounting. Their revenues are recorded when they are earned and expenses are recorded when they are incurred.

If the Township utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Modified Accrual Basis - Revenues would be recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities.

Expenditures (including capital outlay) would be recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

Accrual Basis - Revenues would be recognized when earned.

Expenses (including depreciation and amortization) would be recorded when the liability was incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions would be recognized when the exchange took place.

## D. ASSETS, LIABILITIES AND EQUITY

### Cash and Cash Equivalents

For the purpose of financial reporting "cash and cash equivalents" includes all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. As of March 31, 2004 the Township had no cash equivalents.

### Receivables and Payables

When applicable, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."



### Restricted Assets

The revenue bonds of the enterprise fund require amounts to be set aside for construction, debt service principal and interest, and bond reserve. These amounts have been classified as restricted assets.

### Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

### *Government-Wide Statements*

In the government-wide financial statements, capital assets should be accounted for as assets in the Statement of Net Assets. Capital assets are defined by the Township as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. All capital assets would be valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which would be recorded at their estimated fair value at the date of donation. However, the Township has not accounted for its capital assets in its governmental funds thus they are not reported in the government-wide statements.

Depreciation of all exhaustible capital assets is recorded in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets for the Township's business-type activities. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of assets is as follows:

Water and sewer system and improvements	50 years
Machinery and equipment	5 years

### *Fund Financial Statements*

In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

### Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. When applicable, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

## Equity Classification

### *Government-Wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

It is the Township's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

### *Fund Financial Statements:*

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same in the government-wide statements.

## **E. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES**

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

### *Fund Financial Statements:*

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

- a. Interfund loans - amounts provided with a requirement for repayment are reported as interfund receivables and payables.
- b. Interfund services - sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
- c. Interfund reimbursements - repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
- d. Interfund transfers - flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

### *Government-Wide Financial Statements:*

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

- a. Internal balances - amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for the net residual amounts due between governmental and business-type activities which are reported as Internal Balances.
- b. Internal activities - amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers - Internal Activities.

The effect of interfund services between funds are not eliminated in the Statement of Activities.

## F. USE OF ESTIMATES

The preparation of financial statements by the Township requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

## G. DIFFERENCES FROM GAAP

### Basis of Accounting

As discussed in Note 1(C), the Township reports both the government-wide financial statements and the fund financial statements of its governmental activities on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

## (2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

The Township is required to follow the budget system provided by Michigan Public Act 621 - Uniform Budgeting and Accounting Act. Annual budgets are adopted by the Board for the General and Special Revenue Funds except for the Grant Special Reserve Fund which adopts a project-length budget. The budget basis of accounting does not differ significantly from the modified cash basis used to reflect actual revenues and expenditures for these funds. Budgets are adopted at the activity level. Appropriations lapse at year end.

### Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
General Fund		
Legislative	\$ 17,100	\$ 21,131
Debt service	56,100	57,923

Fire Millage Fund		
Public safety	30,920	35,159
Transfers out	5,000	23,187
Liquor Fund		
Public safety	3,440	3,670

### (3) DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investments policy adopted by the board is in accordance with Public Act 196 of 1997. The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Cash (checking & savings accounts)	\$ 299,512	\$ 186,701	\$ 84,331	\$ 570,544	\$ 303,635
Investments (certificates of deposit only)	60,883	7,123		68,006	
Restricted investments (certificates of deposits & savings accounts)	<u>113,787</u>	<u>22,957</u>	<u></u>	<u>136,744</u>	<u></u>
	<u>\$ 474,182</u>	<u>\$ 216,781</u>	<u>\$ 84,331</u>	<u>\$ 775,294</u>	<u>\$ 303,635</u>
	=====	=====	=====	=====	=====

The bank balance of the primary government's deposit is \$818,499 of which \$290,963 is covered by federal depository insurance and \$527,536 is uninsured. The component unit's deposits had a balance of \$288,529 of which \$151,782 is insured and \$136,747 is uninsured.

### (4) CAPITAL ASSETS

Capital asset activity of the primary government's business-type activities for the fiscal year ended March 31, 2004 was as follows:

	<u>Balance at April 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at March 31, 2004</u>
<i>Business-type activities:</i>				
Land	\$ 69,828	\$	\$	\$ 69,828
Water system	960,066			960,066
Sewer system	2,646,469			2,646,469
Machinery and equipment	<u>20,927</u>	<u></u>	<u></u>	<u>20,927</u>
Total at historical cost	<u>3,697,290</u>	<u></u>	<u></u>	<u>3,697,290</u>
Less accumulated depreciation:				
Water system	368,825	19,201		388,026
Sewer system	524,642	52,929		577,571
Machinery and equipment	<u>15,881</u>	<u>1,277</u>	<u></u>	<u>17,158</u>

Total accumulated depreciation	<u>909,348</u>	<u>73,407</u>		<u>982,755</u>
Business-type activities capital assets, net	<u>\$ 2,787,942</u>	<u>\$ (73,407)</u>	<u>\$</u>	<u>\$ 2,714,535</u>

Depreciation expense was charged to the Township's business-type activities as follows:

Water Fund	\$ 20,274
Sewer Fund	<u>53,133</u>
	<u>\$ 73,407</u>

## (5) LONG-TERM DEBT

The Township issues bonds to provide for capital acquisitions and construction. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Contractual agreements, loans and installment purchase agreement are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term debt activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>						
Loans						
Bank - fire hall	6.12%	5-1-07	\$ 169,441	\$ (44,364)	\$ 125,077	\$ 33,011
Notes						
Rural Development - fire truck	4.25%	8-18-18		<u>185,000</u>	<u>185,000</u>	<u>10,000</u>
Total Governmental Activities			<u>\$ 169,441</u>	<u>\$ 140,636</u>	<u>\$ 310,077</u>	<u>\$ 43,011</u>
<b>Business-Type Activities</b>						
Revenue Bonds	5.00%	12-1-22	<u>\$ 125,000</u>	<u>\$ (4,000)</u>	<u>\$ 121,000</u>	<u>\$ 4,000</u>
<b>Component Unit</b>						
2003 Limited Tax General Obligation Bonds	3.50% & 4.60%	9-1-22	<u>\$</u>	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 5,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End March 31</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 43,010	\$ 15,517	\$ 4,000	\$ 5,950	\$ 5,000	\$ 10,625
2006	45,032	13,072	5,000	5,725	5,000	10,413
2007	47,176	10,503	5,000	5,475	10,000	10,200
2008	29,859	7,803	5,000	5,225	10,000	9,775
2009	11,000	6,163	5,000	4,975	10,000	9,350
2010-2014	61,000	23,503	27,000	21,025	50,000	40,375
2015-2019	73,000	9,435	35,000	13,125	80,000	27,625
2020-2023			<u>35,000</u>	<u>3,675</u>	<u>80,000</u>	<u>8,500</u>
	<u>\$ 310,077</u>	<u>\$ 85,996</u>	<u>\$ 121,000</u>	<u>\$ 65,175</u>	<u>\$ 250,000</u>	<u>\$ 126,863</u>

During the March 31, 2004 fiscal year the primary government paid \$13,559 and \$3,500 in interest expense and bond issue costs, respectively. The component unit paid \$3,562 and \$8,959 in interest expense and bond issue costs, respectively.

#### (6) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

There are no interfund receivables/payables for the year ended March 31, 2004.

##### Interfund Transfers

	Transfers Out	
	Fire Millage Fund	Component Unit
Transfers In		
Primary Government		
General Fund	\$ 5,000	\$ 10,000
Grant Fund	<u>18,187</u>	<u>          </u>
	\$ 23,187	\$ 10,000
	=====	=====

#### (7) PROPERTY TAXES

In accordance with state statutes, property taxes are levied on December 1 and are due and payable on or before February 14 of the following calendar year at which time all unpaid taxes become delinquent. The Township bills and collects its own property taxes. Unpaid delinquent real property tax amounts are collected by the County. Unpaid personal property taxes are collected by the Township.

The 2003 taxable valuation of the Township totaled \$30,457,857 on which ad valorem taxes levied consists of 2.1523 mills for Township operating purposes 3.1608 mills for extra voted Township operating and 1.5803 mills for fire operating, raising \$63,338, \$93,018 and \$46,504, respectively. These amounts are recorded in the General and Fire Millage Funds.

#### (8) EMPLOYEE RETIREMENT PLAN

##### Plan Description

The Township participates in the Municipal Retirement Systems, Inc. Non-Standardized Money Purchase Pension Plan that is administered by the Municipal Retirement Systems, Inc. The Township has no fiduciary responsibility for the plan.

All full-time nonseasonal employees of the Township are eligible to participate in the plan except for employees covered by a collective bargaining agreement. As of March 31, 2004 the Township had five active covered employees. The annual covered payroll for 2003 totaled \$35,776 and the Township's total payroll for all employees was \$76,536.

Under the provisions of the plan, pension benefits vest \$100% upon entering the plan. Distributions may be made at the participant's election on or after the anniversary date following termination of employment.

##### Contributions Required and Contributions Made

The Township and the employee are required to contribute 6.2% of the employee's annual contributions. During the fiscal year ended March 31, 2004 employer and employee contributions totaled \$4,595.

## **(9) RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. All risk of loss is covered by commercial insurance. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 years.

## **(10) COMMITMENTS AND CONTINGENCIES**

As of March 31, 2004 the Township had entered into a construction contract for approximately \$264,000 for renovations to its community building. The project is being funded with \$250,000 in Limited Tax General Obligation Bonds which were received in the current fiscal year. The balance of the construction costs will be paid for by the Township's General Fund.

The Township receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the Federal and State agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the Township's management, such disallowances, if any, will not be significant to the Township's financial statements.

# GRANT TOWNSHIP, MICHIGAN

## Budgetary Comparison Schedule - Modified Cash Basis General Fund Year Ended March 31, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Beginning Budgetary Fund Balance	\$ 265,993	\$ 265,993	\$ 265,993	\$
Resources (Inflows)				
Taxes	171,550	171,550	183,508	11,958
License & permits	200	200	550	350
State aid	9,600	9,600	13,267	3,667
Charges for services	20,000	20,000	20,865	865
Interest and rents	1,500	1,500	1,744	244
Other revenue	7,000	7,000	123,068	116,068
Transfers from other funds	<u>20,450</u>	<u>20,450</u>	<u>15,000</u>	<u>(5,450)</u>
Amounts Available for Appropriation	<u>496,293</u>	<u>496,293</u>	<u>623,995</u>	<u>127,702</u>
Charges to Appropriation (Outflows)				
Legislative	15,000	17,100	21,131	(4,031)
General Government	61,750	69,500	51,151	18,349
Public Safety	5,800	4,750	2,192	2,558
Public Works	69,550	67,900	51,589	16,311
Parks & Recreation	7,100	8,650	4,092	4,558
Other	12,700	14,184	11,692	2,492
Capital outlay	2,000	3,000	2,172	828
Debt service	<u>49,500</u>	<u>56,100</u>	<u>57,923</u>	<u>(1,823)</u>
Total Charges to Appropriations	<u>223,400</u>	<u>241,184</u>	<u>201,942</u>	<u>39,242</u>
Ending Budgetary Fund Balance	\$ 272,893 =====	\$ 255,109 =====	\$ 422,053 =====	\$166,944 =====



# GRANT TOWNSHIP, MICHIGAN

## Budgetary Comparison Schedule - Modified Cash Basis Fire Millage Fund Year Ended March 31, 2004

	Original Budget	Actual	Variance With Amended Budget
Beginning Budgetary Fund Balance	\$ 78,579	\$ 78,579	\$
Resources (Inflows)			
Taxes	58,452	52,288	(6,164)
State aid	500		(500)
Interest	250	210	(40)
Other revenue		4,635	4,635
Amounts Available for Appropriation	<u>137,781</u>	<u>135,712</u>	<u>(2,069)</u>
Charges to Appropriation (Outflows)			
Public Safety	30,920	35,159	(4,239)
Capital outlay	8,400	1,793	6,607
Transfers to other funds	<u>5,000</u>	<u>23,187</u>	<u>(18,187)</u>
Total Charges to Appropriations	<u>44,320</u>	<u>60,139</u>	<u>(15,819)</u>
Ending Budgetary Fund Balance	\$ 93,461 =====	\$ 75,573 =====	\$ (17,888) =====

# GRANT TOWNSHIP, MICHIGAN

## Combining Balance Sheet - Modified Cash Basis Non-Major Governmental Funds March 31, 2004

	<u>Governmental Funds</u>		<u>Total</u>
	<u>Liquor</u>	<u>Cemetery</u>	<u>Non-Major</u>
	<u>Fund</u>	<u>Perpetual</u>	<u>Governmental</u>
		<u>Care Fund</u>	<u>Funds</u>
<b>Assets</b>			
Cash	\$ 1,241	\$	\$ 1,241
Investments		2,338	2,338
<b>TOTAL ASSETS</b>	<u>\$ 1,241</u>	<u>\$ 2,338</u>	<u>\$ 3,579</u>
	=====	=====	=====
<b>Liabilities</b>	\$	\$	\$
<b>Fund Balances</b>			
Reserved for perpetual care		2,338	2,338
Unreserved	<u>1,241</u>		<u>1,241</u>
<b>TOTAL FUND BALANCES</b>	<u>1,241</u>	<u>2,338</u>	<u>3,579</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,241</u>	<u>\$ 2,338</u>	<u>\$ 3,579</u>
	=====	=====	=====

# GRANT TOWNSHIP, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis Non-Major Governmental Funds Year Ended March 31, 2004

	<u>Governmental Funds</u>		<u>Total Non-Major Governmental Funds</u>
	<u>Liquor Fund</u>	<u>Cemetery Perpetual Care Fund</u>	
<b>REVENUES</b>			
State aid	\$ 2,063	\$	\$ 2,063
Interest and rents	<u>8</u>	<u>40</u>	<u>48</u>
<b>TOTAL REVENUES</b>	<u>2,071</u>	<u>40</u>	<u>2,111</u>
<b>EXPENDITURES</b>			
Public safety	<u>3,671</u>	<u></u>	<u>3,671</u>
<b>Net Change in Fund Balances</b>	(1,600)	40	(1,560)
<b>Fund Balances - Beginning of Year</b>	<u>2,841</u>	<u>2,298</u>	<u>5,139</u>
<b>FUND BALANCES END OF YEAR</b>	\$ <u>1,241</u> =====	\$ <u>2,338</u> =====	\$ <u>3,579</u> =====

## GRANT TOWNSHIP, MICHIGAN

### REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board Members  
Grant Township, Michigan

I have audited the financial statements of the governmental activities, the business -type activities, each major fund, and the aggregate remaining fund information of Grant Township, Michigan as of and for the year ended March 31, 2004, which collectively comprise Grant Township, Michigan's basic financial statements and have issued my report thereon dated July 29, 2004. In my report, my opinion was qualified because the basic financial statements of the Township's governmental activities were prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America and the financial statements do not include the Volunteer Firemen's fund which should be included to conform with accounting principles generally accepted in the United States of America. In addition, I issued an adverse opinion on the financial statements of the governmental activities of Grant Township, Michigan because the financial statements do not record certain capital assets in its governmental activities. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

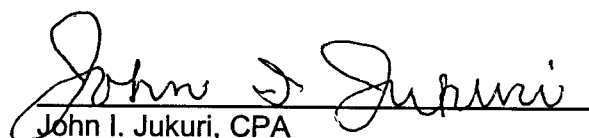
As part of obtaining reasonable assurance about whether Grant Township, Michigan's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance, which I have reported to the management of Grant Township, Michigan in a separate letter dated July 29, 2004.

#### Internal Control Over Financial Reporting

In planning and performing my audit, I considered Grant Township, Michigan's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Grant Township, Michigan's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that the reportable condition described above is not a material weakness. I also noted other matters involving the internal control over financial reporting that I have reported to management of Grant Township, Michigan, in a separate letter dated July 29, 2004.

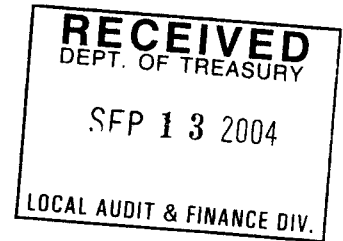
This report is intended solely for the information and use of the board membership, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
John I. Jukuri, CPA

Calumet, Michigan  
July 29, 2004

**JOHN I. JUKURI**  
**CERTIFIED PUBLIC ACCOUNTANT**  
56730 Calumet Avenue, Suite J  
Calumet, Michigan 49913  
Tel. (906) 337-0662 Fax (906) 337-2587

September 3, 2004



Board Members  
Grant Township  
Copper Harbor, MI 49918

In planning and performing my audit of the financial statements of Grant Township, Michigan, for the year ended March 31, 2004, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control. I noted certain matters involving the internal control structure and its operation and other items that came to my attention in the normal conduct of my audit that are presented to assist in improving accounting procedures and controls.

Internal Controls

1. Due to the limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee or Township official has access to both physical assets and the related accounting records or all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected. This dictates that the Township Board remain involved in the financial affairs of the Township to provide oversight and independent review functions. As part of these functions and the strengthening of internal controls, I recommend that the Board implement policies to ensure that all monies received by the Township are receipted and deposited into the bank as soon as possible.

Other

2. Actual line item expenditures exceeded amounts authorized in the final amended budgets as follows:

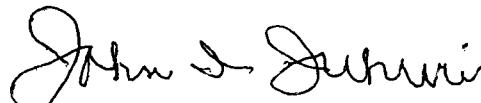
<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
General Fund		
Legislative	\$ 17,100	\$ 21,131
Debt Service	56,100	57,923
Fire Millage Fund		
Public Safety	30,920	35,159
Transfers Out	5,000	23,187
Liquor Fund		
Public Safety	3,440	3,670

P.A. 621 of 1978, Section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. It is recommended that the Township Board fully comply with all provisions of the Act.

3. Some of the financial statements of the Township are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. I recommend that the Township's governmental fund types and agency funds be prepared on a modified accrual basis of accounting in accordance with generally accepted accounting principles.
4. The Township does not maintain a general fixed asset account group for its nonproprietary fund types. I recommend that it be established in order to comply with generally accepted accounting principles. The Township may experience difficulty in acquiring certain cost information when establishing initial property records, however, GASB Cod. Sec. 1400.112 permits the use of estimated costs.
5. At March 31, 2004 the Township's primarily government had \$818,499 in cash, of which \$527,536 was uninsured. I recommend that the Township review its investment policy and procedures to determine if there could be alternative investment strategies that would yield higher investment returns and also allow for FDIC protection.
6. The Township operates a volunteer fire department. Because the department is not a separate legal entity and any fund raising is done in the name of the Township and the fact that all expenditures are not being fully accounted for, I recommend that all financial activity and cash transactions of the fire department be reported in the Township's financial statements under the Volunteer Firemen's Fund.

This report is intended for the information and use of the Board membership and applicable Federal and State agencies. I would be pleased to discuss any of the comments with you at your convenience.

Sincerely,



John I. Jukuri. CPA